Pullan, Richard B.

"It is unanswerable"

Cincinnati

[1891?]

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"It is unanswerable."

DEMONSTRATION of the successful operation and beneficent power of

Secretary Windom's Plan,

FOR THE ISSUE OF

TWO PER CENT. INTERCHANGEABLE BONDS.

THE GREAT ISSUE.

The Savings Bank of the People,

INTERCHANGEABLE BONDS AND UNITED STATES NOTES,

Established in 1862 by

PRESIDENT LINCOLN AND SECRETARY CHASE,

AND ITS

DECLINE AND FALL

Under the administration of a Secretary working in the interests of the Banks.

H. WATKIN, STEAM PRESS,
CINCINNATI.

PREFACE.

The title page of the work from which "Part III" is taken will be found at the close. A limited edition, only enough to satisfy a subscription, was printed in Cincinnati. At the instance of the late Hon. William D. Kelley, the old law publishing house of Solomon & Chapman gave it a careful examination, and afterwards proposed to publish it on a royalty. Being as offensive to "Green-backers" as to "The Banks," and too heavy for entertainment or amusement, it proved an unprofitable venture, hardly paying the cost of the edition. Their experience showed the folly of expecting the general reader to be interested in the discussion of an abstract question. It was about equal to that exhibited by a lawyer (afterwards famous) who once quoted Latin to a Hamilton County jury when seeking to secure a verdict for his client.

Having been informed of the existence of the stereotyped plates from which that edition was printed, the author concluded to utilize them by reprinting Part III, after reading the synopsis of Secretary Windom's plan for the issue of 2 per cent. interchangeable bonds, which seems to be a renewal of the "Savings Bank," established by Salmon P. Chase, in 1862, for the benefit of the people, and destroyed by his successor, Hugh McCollough, for the benefit of the National Banks. The argument applies with equal force now as when Col. John A. Cockerill, managing editor of the *Enquirer*, declared, "*It is unanswerable.*" He will not likely say otherwise now, when he is the editorial director general of the *New York World.* Because of that declaration, the author has again "re-animated the bones of Jones' lost mule, in the hope that his heels might prevail in kicking over" the objections raised in the Republican caucus, which caused the elimination of Windom's wise plan for 2 per cent. interchangeable bonds from the bill ordered to be framed, seemingly for the sole object of inflating the bank-note circulation, "the breeder of panics," and preventing, as far as possible, the enlargement of the volume of lawful money, in the form of either silver or legal tenders.

The preceeding Preface was written before Christmas, when Part III was reprinted, in order to get one copy to send to Secretary Windom, in the hope that it might be useful to him. The synopsis of his 2 per cent. Interchangeable Bonds, given by the press, looked exactly like what that chapter described. The five hundred copies struck off were locked up, for use at an opportune moment should such occur. Mr. Windom's acknowledgment, and especially his second letter, indicated that giving them publicity then might embarrass rather than aid him. His expression certainly affords strong evidence that he was in sympathy with my views.

The calamity that fell upon the country on Thursday evening, in the sudden death of a benefactor, would, it first seemed, stop all further discussion of his Plan. It certainly would, but for a portion of the press daily insisting that the last, dying speech of the Statesman was a proclamation in favor of Shermanism and the gold standard. This circumstance seems not only to invite, but to demand the publication of any recent expression that may serve to relieve his memory from such reflection. Hence is published that which gave him so much pleasure—his letters communicating that fact, and of necessity those to which they replied. This includes of course, the paper written eighteen months since, which, after examining, he thoughtfully concluded best to return, as it might be needed at some future time—as much as saying, when you might need it for publication. That time can never be better than the present, when some of the parties, whose names the writer was at pains to introduce, are still living.

From all that appears in the Associated Press report of that memorable speech, there is nothing at variance with what is found in my writings; nothing indicating an indisposition to do everything possible to restore silver to its old place at the earliest practicable moment. He could not have used stronger words than these: "I am an earnest bi-metalist, and concede to no one a stronger desire than I feel for the free and untrammeled coinage of silver, and as soon as conditions can be reached, through international agreement or otherwise, by which such coinage shall be safe."

Evidently to his conservative view such safe condition could not be until after the value of the two metals had been brought to a close approximation, or an equality. This is possible only by creating a demand that will absorb all that is offered below par. That demand may be caused by the joint action of many nations, or by that of one whose power is equal to its undertaking. The world's conviction that it had been unalterably decreed by either would cause such approximation, in anticipation even of preparations for its execution, hence

there could be no interval for doubt to create alarm, and consequent contraction.

Doubling the purchases, and giving the President discretionary powers beyond, would advertise the world of such unalterable decree. The tenor of all that is in the Press report of what was said by the lamented Statesman, shows that this condition was the alternate, "or otherwise," he mentioned, and also shows that, when he was protecting the Treasury against the attacks of conspirators demanding 130 for their bonds, he would have recommended the issue of the hypothetical order described in the Allison letter, had the power been in the hands of the President, as it should have been.

Cincinnati, Dec. 24, 1890.

HON. WILLIAM WINDOM,

Secretary of the Treasury, Washington,

Dear Sir—I take the liberty of sending to you by this mail a pamphlet entitled "Secretary Windom's Plan for the Issue of 2 per cent. Interchangeable Bonds—The Great Issue—The *Savings Bank of the People*, established by President Lincoln and Secretary Chase, and its Decline and Fall under the Administration of a Secretary working in the Interest of the Banks." It is a chapter from the old work described, now out of print. Of the few copies to be had I would be pleased to send you one if you think, from the character of the chapter now sent, it would be worthy of a place on the shelves of the Library of the Treasury. Very respectfully,

Your obedient servant,

R. B. PULLAN.

TREASURY DEPARTMENT.

Washington, December 29, 1890.

MR. R. B. PULLAN, Cincinnati, Ohio.

My Dear Sir—I beg to thank you for the courtesy of your letter of the 24th instant, and for the pamphlet and enclosures which accompanied it. I have examined them with a great deal of interest, as the subjects upon which they treat have had considerable thought by me during the past few months.

Referring to your offer to forward to the Department, if it will be accepted, a copy of the entire volume, a chapter of which in pamphlet form you have sent me, I beg to say that it will be very acceptable, and will find a welcome place upon the shelves of the Library of the Treasury. Very truly, yours,

W. WINDOM.

The enclosures referred to are two clippings from the *Commercial Gazette*, containing my letter to Mr. Allison, and the two letters from Mr, Delano.

Cincinnati, January 1st, 1891.

HON. WILLIAM WINDOM, Washington, D. C.

My Dear Sir—Please accept my sincere thanks for your favor of the 29th ult. I take pleasure in sending the book, which upon examination I hope you will think worthy of being on the shelves of the Treasury Library, and included in its catalogue.

I also send a copy of a paper I wrote, when sending a copy of the book under similar circumstances, to a leading Republican and devoted friend of Gen'l Harrison, a gentleman for whose character I have a very high regard. I wrote it to aid him in discovering what was in it, and hope it may serve you likewise.

I have been carrying on this fight so long against knavish avarice on one hand, and greenback idiocy on the other; and have been made to suffer so much in consequence, that I have an intense desire to see it ended this winter, as by wise counsel it can be, and forever. If you think I could, with pen or tongue, be of any service to that end, command me, even though the order might require a visit to the Capital, a volunteer without pay or hope of reward,

Very sincerely, yours, R. B. PULLAN.

TREASURY DEPARTMENT.

Washington, January 5, 1891.

MR. R. B. PULLAN, Cincinnati, Ohio.

My Dear Sir—I am in receipt of your letter of the 1st instant, and have also received the copy of your "Theory of Money and Currency," which you have been kind enough to send. The extract which you sent me from the work I found very interesting, as it treated upon matters to which I have given considerable thought, and with regard to which I have formed some convictions. I shall take much interest in reading the printed volume, and will then place it in the Treasury Library, with the books there upon kindred subjects.

I appreciate your earnest feeling, as evidenced by your generous offer, to see some proper legislation on the subject, but do not know what you could do to hasten such an end. The situation at present is not such as to justify me in encouraging you to visit Washington; but your offer to do so without compensation is to be commended.

I also thank you for giving me the opportunity to see the paper you prepared in connection with the printed volume, and which I have examined as carefully as time will permit. As you may need it at some future time, I have concluded best to return it herewith.

Very truly, yours, W. WINDOM.

PAPER REFERRED TO IN THE LATE SECRETARY WINDOM'S LETTER OF JANUARY 5, 1891.

The book sent is not a book—only a compilation of parts of articles printed from time to time in the newspapers, and some they wouldn't print. They received the careful attention and commendation of Chase, Morton, Stevenson, Phillips, Matthews, Henry C. Carey, and other eminent statesmen and scholars. Every paper from the first that appeared in the *Cincinnati Gazette*, February, 1868, to the one in the *Chicago Tribune*, April 10, 1888, Page 27. applies with equal force to the silver as to the paper currency. The word currency is everywhere used as by the English writers, to describe the money of the realm—not bank notes. Page 117.

To insure a reading I have re-read the book myself, and marked parts to which attention is particularly invited, and have indulged in a few reminiscences that might vary the monotony and afford entertainment.

They have three or four objects. *First*, to show how long I have given attention to the effect of silver demonetization. *Second*, how, like a chip I came to drift into the money maelstrom. *Third*, what makes me think I can help legislation as a citizen; and *Fourth*, why I did what is said to serve an enemy better than one's self—print a book—especially when it is mostly a lot of scraps that would otherwise have been obliviously buried in the mass that fills all daily papers. The first was connected with Stevenson; the second with Chase; the third with Morton, Matthews and Kelley; and the fourth with Judge Kelley alone.

The articles were mostly written off hand, in moments of provocation. I never thought they were philosophy until the receipt of a letter from W. Phillips, that surprised me. When I asked my friend, Henry Stanberry if that was Wendell Phillips' writing, he said yes, I know it well, and would value such an expression from him more than the book had cost me. Such valuation from the old Attorney-General, and great lawyer, left the profit and loss account on the right side. It was Mr. Stanberry who persuaded me to make the argument that pleased the *Nation*. Page 8. Whatever philosophy is in the articles, therefore, is Wendell Phillips', in right of discovery, not mine, and can be found only by carefully reading the whole, and not any single part, and attaching the same meaning to words and terms I did. For instance, gold means the coin in circulation, whether silver or gold. The coin monopolizing the circulation is the stronger one—the one strong enough to drive the other out—the one that affords a more acceptable medium of exchange to those who are obliged to use it than the other. All was silver before 1834-37; silver and gold between that and 1850; and after that (the discoveries of California and Australia), all gold, for that was the cheaper, so much cheaper, "the banks" wanted to demonetize it to keep silver from going to the melting pot. The term "the banks" I use comprehensively to describe one of the two great divisions of society, which includes all whose possessions are in money and credits, and do not consist of property of fluctuating value.

HOW LONG SILVER DEMONETIZATION KNOWN—HON. JOB E. STEVENSON.

Page 12. The practical application of what is found in the book is what the Hon. Job E. Stevenson contended for in his canvass for Congress in 1874, one of the most important Congressional canvasses in our history. Had the Republican papers given him earnest support, instead of daily indulging in flings at the Greenback doctrine it was alleged he advocated, the seven or Page 10. eight hundred bank-ridden Republicans who voted for General Banning might have been held in line and secured his election. Then no resumption law would have ever been enacted that did not include the repeal of the infamous legislation of Feb. 12, 1873, and eliminate every vestige of its poison from the body politic. How? Why within a week after his election I would have exercised the option, for which I had been successfully editing the *Star*, bought the controlling interest, taken its editorial charge, and with two of the most honest and fair minded business lawyers who had been struggling to maintain it, Messrs. M. D. Hanover and John Carr, have run it without borrowing a dollar from any bank, or asking favors from any vicious corporation.

Before Congress met in December, the ears of the whole people would have been filled with the discovery of the gigantic fraud. Mr. Stevenson would probably have gone to Washington and conferred with his old friends in Congress; and also, what would have been more effective, with his friend President Grant? During the four years and over that I held two important offices under President Grant, I also had abundant evidence of his high personal regard. He would have read everything the *Star* said about that fraud, the fraud Page 20 practiced upon him, by the conspirators who framed and smuggled through the silver bill, in such form as to deceive him. If it is possible to believe that Sherman could have gotten his resumption bill through Congress without the repeal of the demonetization law being incorporated, it is impossible for any one to suppose that Gen. Grant would not have jumped upon it with both feet and stamped it out of sight.

Unfortunately for the whole country he was not elected. He was defeated by the power of the banks. I know that Republican bankers contributed largely to the fund to defeat him. I know that they compelled advertizing patrons of the *Star* to withdraw their advertisements, and in every way did they seek Page 7 to cripple it. What followed is partly described in my speech at Clifton Hall.

Let me fill out the picture. It will entertain and amuse at least, if it does not deeply interest you. I called on him next day. He was alone in his library, a large room, walled around with books, buried in papers, bringing up his neglected business—defeated candidates are generally thus occupied after election. A pile of silver was on his cabinet desk, the remains of a quantity of silver dollars he had received from the mint for use to illustrate his position. I said something facetious about his hard-money campaign. He was too busy to talk. Then I picked up one of the dollars and remarked, this is not worth fighting for anyhow, this isn't money. That startled him. He asked if I was serious. Certainly. Who says so? No one, only the law. What law? On the statute book. Where? In the statutes at large for 1873. That volume was about five inches thick. He walked over to the shelves, took it down, and returning where I sat, remarked: "Impossible, I was in Congress then and such a law could not have passed without my knowing it." He looked through the index carefully, and handing me the book, told me to find it, he could

not. I did so, turned down the leaves and told him to read the sections in the order I named, for it was a matter of construction. He did so, read them all and re-read them in reversed order; his countenance indicating intense passion. Then raising the volume with both hands above his head, dashed it to the floor, exclaiming; "Pullan, you're right, there was not a man in that Congress who knew what was in the bill except the damned rascals that put it there." After the subsidence of passion, he observed what I stated at Clifton. It has Page 21. been a source of bitter regret that I did not then take his advice, but I was worn out and discouraged in the work of carrying on the campaign alone. He had also to battle alone, making sometimes three speeches a day, at places miles apart. I must here say that Mr. Stevenson's exclamation was not profanity. The long years I have been intimate with him I have never heard a profane word pass his lips. It was an anathema, a righteous anathema, a condemnation of an appalling crime that no other word could adequately express.

I was under peculiar obligations to do what I did in that campaign. Mr. Stevenson had by a card in the papers, on the morning of the convention, said he was not and would not be a candidate. Before twelve o'clock he was nominated by acclamation. Mayor Davis, Hon. B. Eggleston, and Amzi McGill were appointed a committee to notify him.

He refused to accept, declaring that no one was authorized to say he would, as they alleged Pullan had said. They asked me to persuade him, as I was solely responsible for the nomination. I assured him I had gone no further than say that while he did not want the office, yet if nominated by acclamation I did not see how he could decline. He gave many reasons why he could not, among them to my surprise was one that my writings had convinced him that a pure government currency was the true theory and entirely practicable, and that if he made the canvass, "the banks" would seek to crush him, and he would receive no support from the Republican press. I expressed my gratification at the compliment he paid me, and simply remarked: "The canvass then will give you abundant opportunity for missionary work in the cause of truth." After a long silence he said, "that settles it, I will make the fight, and make it the more cheerfully from the conviction that there is no danger of being elected, for a tidal wave is going to sweep everything before it."

I have told you this story because of the lesson it teaches, and the warning it affords. And it shows how not only Mr. Stevenson, but Senator Thurman had been deceived.

DRIFTING INTO THE MONEY MAELSTROM—SALMON P. CHASE. Pages 9, 10, 20, 21.

The second mark on page 8 is to satisfy your reasonable curiosity why an obscure private citizen should have so persistently fought a gigantic evil, and how he came to interest himself with what was none of his business. In the light of modern society, through the murky atmosphere of merchant's exchanges, the man that would do this might be called a fool. Such beings lived eighteen hundred years ago, lived here fifty years ago, when human slavery rested like a pall on the land. They lived not in vain; most of these fanatical abolitionists have gone to their rest, a few only remain, of these I am one, a most unfortunate one, for after that long fight of over twenty years was over, the habits then begotten forced me against my every purpose into fighting another evil of like gigantic proportions—"the banks."

It's a bad thing for one's comfort to fight an oppressor. It makes one sensitive against other forms of oppression. That is what happened to me. I had seen a beautiful white girl sold at auction at the St. Louis Exchange, New Orleans, in the winter of 1837, and it made me an *abolitionist*. What I saw in May, 1837, at the old College Hall, when all the bankers and their debtors assembled and resolved that the banks ought to suspend, and when the next day I also saw that they did, because the public meeting described by the papers as a spontaneous outpouring of the people had demanded it, caused me to look upon the whole business as crooked. Five years later the crookedness
Page . became more manifest by my familiarity with the means necessary to resume specie payments by the La Fayette Bank, the only method possible. Retire the circulation, stop accommodations, break the customer and sell him out by the sheriff.

Every experience and observation thereafter during twenty years of active business life in merchandise, manufacturing and fighting railroad wreckers, confirmed and intensified the impression then made. That was the view also of the president of that bank, my brother and partner, and also of its
Page . solicitor, Salmon P. Chase. The intimate relations, social, business and political that existed between Mr. Chase and myself, during all that period, caused him, while senator, to send me all documents especially connected with finance. They soon became as fascinating as a game of chess. Chess was Mr. Chase's recreation. The first time I met Gov. Boutwell, the evening I was confirmed as collector, was when he called at Chase's house and found us at the chess-board in the parlor. At the close of his term, March 4, 1855, he came to me in New York on business, in response to a letter I had written him (Hiram Barney, now living, will remember his connection with it); and a few weeks after our return to Cincinnati he persuaded me to undertake to have him vindicated, by being elected governor. I consented on condition he would mind his private business and do nothing himself, until advised by me. He had not one chance in a hundred, I might say a thousand. I rallied the old Liberty Guard, as I had done before, for I had been secretary of the Liberty party, State Executive Committee, and Mr. Chase, president, during the
Page 9. existence of that party. I succeeded.

The providential instrumentalities most effective in this undertaking were Henry B. Blackwell, of Boston, and Thomas Spooner, of Glendale, now dying from cancer. The almost unanimous nomination of Mr. Chase, at the convention of 1855, and subsequent election, John Sherman said in his Lincoln banquet speech, at Columbus, in February, 1888 (the opening of his campaign for the presidential nomination), was the birth of the Republican party. True. But he was off, when because he happened to have been its president, he gave the world to understand that he had born-ed the party at that time. He had no more to do in shaping its results than the chair in which he had been, from good policy and convenience seated. Ex-President Hayes, who was by my side as a delegate in that convention, may recollect the relation I occupied to Mr. Chase, and the management of the Liberty cause in that convention, composed nine tenths of members of the American party.

In December, 1861, when spending the evening with Mr. Chase, he pressed me to come to Washington, and help him in the work in which he was engaged, the establishment of a purely national currency, and with my pen, which he seemed to think was fertile, or at least said so, afterwards commend

it to the public. The ragged condition of my private affairs, and the winding up of the affairs of our firm (Pullan, Hatfield and Brown), of which his nephew Ralston Skinner was a partner, and my duties to a large trust would not permit it. He afterwards got J. W. Schuckers to assist him. Of this episode in my iife, Mr. Schuckers can speak. Page 116.

You will find very little reference to Mr. Chase, except what is had from his public record. He communicated with me freely, and I was pleased that Judge Small made public what I already knew. His position was just what I described on page 26, and in other papers. There is one important fact not mentioned by me anywhere, and that is the Legal Tender Act was entirely President Lincoln's, that Mr. Chase *was not consulted*, and when advised admitted its expediency, but said it was unconstitutional. When the President differed on that point, he bowed to the decision, and assumed the paternity of the measure, and labored for its success as if it had been his own idea, his own pet child. In addition to this gathered from Mr. Chase himself. I was informed by Col. E. D. Taylor, of La Salle, Illinois, the particulars of his visit to Mr. Lincoln, and afterwards by Mr. Lincoln's request to Mr. Chase. I never heard Mr. Chase refer to Taylor, but Col. Taylor's narrative to me corresponds in many things with what dropped from Mr. Chase.

You perhaps have some knowledge of Col. Taylor, an eccentric, old Virginia gentleman, the close friend, when young, of both Lincoln and Douglass, at Springfield. Register of the Land office at Ft. Dearborn, in 1837, member of the Indiana Constitutional Convention with Robt. Dale Owen, and president of the Michigan City branch bank of the state of Indiana. His son-in-law, Mr. Hayes, was comptroller of Chicago, and his son's coal office was in the Palmer House. He said he went to Washington after the banks suspended, in February, 1862; went direct to the president, and told him, "Life is dearer than money. If you have a right to take one, you have the other. If you can seize a poor young man whose only capital is health and strength, and force him to daily peril both, and his life also, you have a better right to lay hold of the rich man's pocket, and squeeze out the money by the only means possible, a legal tender, that all will have to take or get nothing. Pass a conscription law to seize money as well as men."

Such an argument from an old friend, a banker too, addressed to the king of men, the Koenig of his times, could have but one effect, the effect it did have. It seems strange that Col. Taylor's story is not chronicled somewhere. I met him in Chicago. He occupied the parlor car with my counsel (my son William B. Pullan and Job E. Stevenson) and the opposing counsel, Jos. E. McDonald, going to Indianapolis. He was at my office while spending a few days in Cincinnati, at the house of an old clerk of Pullan, Hatfield & Brown, Robt. E. Dunlap, then of the banking house of Gilmore, Dunlap & Co., whose wife was a daughter of Gen'l Whiteside, an old time friend in Springfield, Illinois. Gen'l W. was also father-in-law of Robt. A. Dunlap, another old clerk of P., H. & B. Col. T. wrote to me after his return home. He had read some of my writings but had not rightly profited by them, for he was for unlimited greenbacks, as opposed to what he called "keg money."

CAN A PRIVATE CITIZEN HELP IN LEGISLATION—STANLEY MATTHEWS.

Stanley Matthews' words are from the *Gazette's* report of his debate with Ewing at Dayton. He was my associate on State Liberty Committee in 1846; and intimate friend from the time we went to Woodward High School to his

death. He read chapters 1, 2 and 3 of Part V., in manuscript—studied it—and when returning it some weeks after, thanked me warmly, and frankly said it had given him most valuable information and light, closing with a laughing remark: "Dick, I will never call you a crazy greenbacker any more." Before handing him the manuscript, I wrote on a scrap of paper, "Stick a pin here, Stanley," and pinned it at the end of the word "statesman," in the kicking sentence on page 128, "and roll on until it rests at the feet of a statesman whose wisdom is equal to his power, etc." Well did he vindicate my opinion, and justify my hope. Eminent at the bar, eminent on the Supreme bench, and pre-eminent in the Senate. His strategy, wisdom, and eloquence, in the very brief period he was there, saved the ancient standard. To his power the country is indebted for the three hundred millions of silver dollars, for had it not been exercised, John Sherman would have triumphed in the permanent establishment of the English gold standard, and of the "American idea" (?) he enunciated in Paris in his letter of May 18, 1867, to Mr. Ruggles.

I have a higher hope. I had when I wrote to Mr. Medill, and afterwards before the meeting of the convention in June, to Senator Teller, and my old friend Ben. Butterworth—a hope that a man might occupy the seat of Lincoln, who would like him exercise his kingly power in defense of the poor and lowly,—the silent million—against the aggressions of the money power, "the banks," which is about all that both branches of Congress mainly if not entirely represent, would restore the ancient standard, and preserve the currency that Lincoln established, and Matthews so ably defended. But for that hope I certainly would not tax myself by thus writing a whole day.

I have fastened in the back of the book several tracts, pages 177-214. Two of these, my testimony before the Banking and Currency Committee, issued by the Democratic Campaign Committee in 1878, and two more issued by the same Committee in 1879—large editions of both were printed and paid for, every cent by the Committee, but as soon as they appeared "the bank" Democrats, who contributed the funds, suppressed the whole, and after the election they were sold to the paper mill by the pound. This I was told by the janitor in charge, and by indignant honest members of the Committee. The 1879 tracts were copied from the *Louisville Courier Journal*, of Oct. 6th, which fell into Gen. Ewing's hands on his visit to this city.

When he learned that it was an address, written and signed by three persons, R. B. Pullan, Thomas Johnston, and J. G. Sextro, who had consented to accept the forlorn nomination for the Senate, as their letter of acceptance, and had been sent to the *Journal*, by its correspondent, he demanded that the committee should print a large edition. This, and the exposure in the Clifton address, for the benefit of the wealthy Democrats there, shows the hypocrisy
Page 26. of the aristocracy of the Democracy.

THE TWO SUBDIVISIONS OF SOCIAL ECONOMY—"THE BANKS" AND PROPERTY.

The two great subdivisions of the economies of society are not Capital and Labor, as Smith and Wayland have it, but fixed and fluctuating property. The fixed consists of money, credits, bonds, mortgages, leases, annuities, pensions, everything whose value or productiveness is fixed by law. The fluctuating includes all *labor*, whether of hand or brain, and all property, real, personal and mixed, whose productiveness and value is not fixed by law, but continually changes with the times and seasons, and the character of legislation.

I have used the term, the banks, as stated in the book, comprehensively, Pages 30, 125, 154.
to describe the first subdivision, and property the second. The power of the banks has ever since the first one (having the privilege of issue), was started by Wm. Patterson, just two hundred years ago, been immensely increased by Page 126.
their monopoly in furnishing the paper substitute for currency. Their struggle to maintain and enlarge the privilege has ever been the source of contention and strife in England and in this country. Page 58.

WHAT "THE BANKS" AND ESPECIALLY ISSUE BANKS HAVE DONE.

They clandestinely demonetized silver in England, in 1816, and here in 1873, both during periods of an exclusive paper currency.

They prevented the English Government from substituting Government notes for bank notes in 1844. They prevented Abraham Lincoln from sub- Pages 122, 124, 172, 174.
stituting U. S. notes for bank notes in 1861. Their control in Congress forbade the passage of the legal tender act in February, 1862, until assured their privilege would be preserved, notwithstanding President Lincoln had declared the measure was absolutely necessary for the salvation of the country. Pages 173, 175.

They forced President Lincoln's anti-bank-note nominee, Gov. Tod, to decline, and forced a routine bank cashier into the Treasury. After the assassination of Mr. Lincoln, the President was deprived of all power over the Treasury, and the representative of the banks, and the Senate Finance Committee thereupon controlled the financial policy of the Government. Page 15.

They treated the U. S. notes as the notes of a suspended bank, and in their efforts to extinguish them, brought unnecessary and immeasurable distress. Pages 29, 40.

When Congress had passed a law to remonetize silver, they met in the city of New York, and declared war upon it, and have been carrying on that war ever since, and so far successfully by the aid of Treasury officials. Page 183.

In 1861 there were two theories, the one determined upon by Mr. Lincoln, the other adopted by the Finance Committee to preserve the privilege of issue to the banks. Had the first prevailed the paper and coin currency would have been exchangeable in 1873, and the Government been saved several hundred millions. Pages 170, 54.

When Congress ordered the issue of bills of credit, U. S. notes, it created a paper currency as absolutely money in this country as was its gold or silver coin, proving that it could not be part of the public debt payable in it. The currency, not bank notes, represents the money which Congress had the power to coin. That was an entity that existed in the minds of every one in America at the time the Constitution was made, and that had so existed in the minds of generations before without appreciable change, as the measure of all other values. Page 132.

Extreme care was taken by the framers of the Constitution to ascertain and define the exact bounds of that entity, the average value of the Spanish dollars that were in universal circulation. They found it to be 371¼ grains of fine silver, and they decreed that a composite metal containing a certain proportion of fine silver and copper, should be made, and that 416 grains of this standard silver should be the standard measuring unit of all values. Legal tender ten dollar gold eagles were at the same time ordered to contain fine gold, one

fifteenth the weight of fine silver in ten silver dollars. In 1834, Congress altered the ratio from 1-15th to 1-16th. The change was made in reducing the weight of fine gold in the eagle. No change was made of fine silver in the *silver standard unit*, although the proportion of fine silver and copper in the composite standard metal was changed by adding additional copper which involved a reduction in the weight of the coined standard from 416 to 412½ grains, which Congress by the Matthews famous concurrent resolution, passed by almost a two thirds majority, declared was then, as it ever had been, the lawful standard in which all debts, public and private, were to be paid.

HOW BANK INFLUENCE BEFUDDLED M'CULLOCH AND CONFUSED THE PEOPLE.

One of the worst consequences of bank influence was that it befuddled and confused the people so that they could not see the difference between the situation of a powerful Government, compelled to exercise the power inherent in all sovereignties, to issue bills of credit, and that of a suspended bank. Secretary McCulloch, with such an education as he had, could not distinguish between the situation of the legal tender, and the notes of a suspended bank, and hence believed that the only known rule of sound banking, to contract the circulation, until the right ratio or proportion of three to one between its outstanding circulation and its specie reserve was reached, was necessary in the one case as the other. This was the fatal error of his Ft. Wayne speech in 1865, and Congress exhibited the same blindness, for it immediately, on reassembling in December, endorsed the policy by a vote of 146 to 6.

The rule is true with a bank, all of whose capital is locked up in loans it can not immediately collect. There is no way for it to restore the ratio, except by curtailing its circulation. It has not the slightest power to do it by increasing its base. Its money is gone, either lost or in the hands of debtors unable to pay. Any credit it had left would be destroyed by any attempt to use it. The cashier of the Ft. Wayne bank had been accustomed to reduce the circulation whenever the ratio of three to one was disturbed.

How shamefully stupid then to apply such a rule to a great Government which had just vindicated its power to do anything it had set its hand to. An intelligent exercise of that power would have restored the ratio by enlarging the base, speedily if demanded, by the purchase of sufficient gold and silver, by the sale of bonds, or gradually within a few years at a saving of hundreds of millions to the Government, and without the curtailment of the Page 4. circulation one dollar. This was demonstrated in my letter to Gov. Morton, published in the *Gazette* — a demonstration that was unchallenged.

Although I saw that error in the light here presented, I had no disposition to enter another fight, after the long bitter experience I had passed through in the dark days of slavery. Three years later, however, I fell into it by writing to Gov. Morton upon Gen. Cary leaving the ground lined out when he left for Washington. But one thought ran through that letter, indignation at seeing the banks trying to blind the eyes of that neighbor, while they removed his landmark. For to my mind no landmark is more sacred than the currency that defines the limits and extent of all obligations and contracts. Their efforts to raise the value of their possessions at the expense of their neighbors, looked to me like robbery. Whatever may have been my expressions, in the book, they are mild to what is found in Holy Writ. Deut. xxvii., 17-18, in condemnation of such conduct.

PART III.

Having shown, in Part II, what would have been the operation and effect of the temporary loan law, had it continued to be honestly administered in the interests of the people, it remains to show the brilliant success that attended its existence, and the cause and manner of its repudiation. This cannot better appear than by one of the papers JUDGE KELLEY requested to be published, the beginning and a considerable portion of which appeared in the Cincinnati ***Enquirer*** of September 10, 1875, with the following editorial, calling attention to it:

"The communication which we print this morning on the money question, from the pen of R. B. PULLAN, ESQ., has been in our hands several days. Its earlier appearance was prevented by a pressure of news matter. The article, we are certain, is one of the best yet published touching this special phase of the subject. It is unanswerable. We may say, without violating confidence, that it was offered to the *Gazette* for publication, but respectfully declined."

THE GREAT ISSUE.

The Savings Bank of the People.

INTERCHANGEABLE BONDS AND UNITED STATES NOTES.

TO THE EDITOR OF THE ENQUIRER:

The believers in the necessity of the Government issuing the currency direct may treat with contempt the ravings of those who denounce them as "Fools," "Lunatics," "Currency Tinkers," "Quacks," "Petroleuse," "Communists," "Repudiators," "Sans-Culottes," and "Cut-throats," but they can not ignore a challenge to answer the masterly argument that appeared in the Cincinnati *Gazette*, of August 19. If what was there "demonstrated," is true, or even approximates to the truth, there can be no doubt that any attempt of the Government to issue interchangeable bonds, or to create a depository in which the people could deposit their surplus money on interest, and subject to call when they wanted it, would prove more disastrous than the present system; no possible doubt that ruin would follow the introduction of either. They are identical, for the *Gazette* says:

"These 3.65 interchangeable bonds are nothing but a provision by which banks can lend their money to the Treasury on call. By them the Government is to receive their idle money on deposit, and pay them interest for it."

The *Gazette* commences thus:

"THE ELASTIC CURRENCY BOND—HOW IT WOULD WORK.

"We freely grant that a regulator of the volume of money, which shall let it out n times of panic and draw it in when it is flush, is a nice thing to contemplate, and would be a desirable thing to have; and that when our currency quacks, such as Cary and Ewing, declare that the 3.65 interchangeable bonds would work in this way, and would regulate the currency as the governor regulates the steam engine, they tell of a desirable thing. But this is an experiment that has never been tried; and when they liken it to the operations of the Bank of England, in checking overtrading and staying panics, they liken it to its opposite. And, furthermore, we undertake to demonstrate as positively as any thing can be proved by reason, that the interchangeable bond would work just the opposite of what its inventors claim; that is to say, it would feed the flame of overtrading by inflation, when that is on the rise, and that when reaction, and alarm, and panics set in, it would violently contract the currency.

"If there be any sincerity in advocating this invention—if it be any thing more than dust for the eyes of the ignorant till after the election, its advocates will try to answer this showing."

A Republican, who sincerely believed in the doctrine of the Republican platform of 1868, reaffirmed by the Democratic Convention of June 17, 1875, and who now as sincerely believes that an interchangeable bond presents the easiest and most effectual way of getting out of our present difficulty, ventures to rise, as did the celebrated Jones under similar circumstances, to prove by fact the very opposite of what the *Gazette* declares it has demonstrated "as positively as anything can be proved by reason."

RISE AND PROGRESS

Under the administration of an honest Secretary working in the interest of the people.

In the bills framed February 25, 1862, to carry out MR. LINCOLN'S purpose to issue legal tenders, provision was made for their conversion into bonds, and a further and even more important one, to make the Government the great *depository of the savings* of the people by permitting them to deposit their money on low interest, and have it returned to them on ten days' notice, practically to be returned to them when called for. The amount of such deposit was limited to $25,000,000. The scheme proved so acceptable that on May 17th the limit was increased to $50,000,000, and the interest NOT TO EXCEED 5 PER CENT.

So admirably adapted to the wants of both the Government and the people did the plan prove, that on the making up the account of the year, on the 30th of June, the deposits had run up, in four months, to $66,473,324—$16,000,000 more than the limit—drawing an interest of only four and five per cent. This drove Congress—for the continued limitation of the deposit showed how much that body needed driving

to do anything that might interfere with bank profits—to raise the limit, by the act of July 11th, 1862, to $100,000,000.

Mr. Chase, in his report of December 6th, 1862, page 10, refers to the passage of these laws of February 2d, May 17th and July 11th, with evident satisfaction:

"The Secretary recommended, and Congress, by different amendments, authorized the receipt on temporary deposit, at an interest not exceeding five per cent. of such sums as might be offered, not exceeding in the whole, $100,000,000."

With equal satisfaction he refers to his first attack on bank issues by the law of July, 1861, authorizing him to issue not exceeding fifty million demand notes to circulate as money.

"Of these notes," he says, "$33,460,000 were in circulation at the time of the suspension. Up to that date every note presented for payment had been promptly redeemed in coin."

The report also shows that up to the 30th of June, of the sixty-six millions of deposits already mentioned, only $8,553,267.53 had been called for, leaving a balance in the Treasury to that account, on the 30th of June, of $57,926,056.57, and this balance had been steadily increasing, notwithstanding large repayments to depositors, up to the date of his report, December 6th, 1862.

IT INFLATES INFLATION?

In view of this he urged Congress to remove the limit and let the people deposit all they desired, saying (page 24):

"A considerable sum may probably be obtained by removing the limit on temporary deposits. The amount of these deposits has steadily increased, notwithstanding large repayments to depositors. The vault of the Treasury has been made the SAVINGS BANK OF THE PEOPLE; should the restriction be removed, there is reason to believe that twenty-five millions may be received beyond the maximum now fixed, during the year."

Mr. Chase could do no more than to lay before Congress the fact that his deposit system had more than realized his highest hopes, and that the people only desired the opportunity of depositing their millions in the Treasury at four and five per cent. per annum, lawful money, as well for their own profit and convenience, *as to relieve* the wants of the Government, and to ask that the bar to their patriotic progress might be removed.

What became of the recommendation? It was smothered in the Committee room, where sat in permanence the mysterious bank lobby—a wolf in sheep's clothing, a traitor in the garb of a patriot.

Notwithstanding this discouragement the deposits continued to increase, until seven months afterward, on June 30th, 1863, notwithstanding there had been repayments to depositors of $67,516,293.48,

there remained a net balance in the Treasury of $104,934,102.73, drawing an interest of only four and five per cent. per annum in lawful money, for the people asked nothing else. The willing Secretary had not watched the limit. While his head was turned, the people had broken over the bars and placed in his strong chest $5,000,000 more than the law allowed, to send to the boys in front.

This is history. But it is all a mistake; for the Cincinnati *Gazette*, of August 19, in the sharpest editorial that ever graced its columns, says, that in times of prosperity, through an inflation of paper money, there is always a growth of general confidence, an advance in general prices, which brings an expansion of trade that causes an active demand for money, and consequently, an advance in the rate of interest. The worthy editor thus exactly describes the situation in 1863—inflation, prosperity, demand for money, high interest—and says that at such a time, instead of any deposits being made in the Treasury, the balances already there would all be drawn out, and serve to inflate the inflation until everything "busted." Here are his own words:

"Now as to its working inflation while credit was expanding. In times of prosperity, whether it be real, through increase of production and good markets, or seeming, through an inflation of paper money, there is always a growth of general confidence, an advance in general prices, an expansion of trade, which brings an expansion of credit; an active demand for money, whose profitable use raises the rate of interest. At such times bankers would convert their call loan bonds into currency to lend at higher interest, and so would inflate the currency and add to the dangerous expansion of credit.

"For it will be obsered that in this interchange the bankers and other money-lenders are the medium between the people and the Government. The man who has to use credit in his business—as most business men have—has not bonds to go to the Treasury and draw out greenbacks; he would have to go to the bank or capialist to borrow at their rates. When business made a demand for money at rates high enough, and the times were such as to create confidence, the bank would return its 3.65 bonds to the Treasury, receive greenbacks for them, and lend them at its own rate to the borrower.

"Thus the 3.65 bond would not keep the rate of interest to trade down to that, as these political currency-tinkers think, but it would furnish a safe deposit for the banks on interest, to save them from the necessity of lending their money to invividuals until they could get high interest for it. It would be in reality a scheme for the profit of the banks, and to keep up the rates of interest. But when real or seeming prosperity created confidence, expanded trade and credit, and made a brisk call for money at good rates of interest, the banks would naturally convert their call loan bonds into greenbacks to use in discounting trade paper, and thus these bonds would be a means of inflating an inflation."

This is good logic from the stand-point of the worthy editor, who draws his inspiration from bank parlors. If he would rely upon their oracular deliverance less, and upon his own sterling good sense more, he would not say, as he has done, that "the capitalists of a country should furnish the currency of the country," or that "the bankers and money lenders are the medium between the people and the Government," and would see, as clearly as he sees other things, that the

money of these bankers he talks about is but little more than the deposits of the people, and that, although the bankers might have the disposition to do all the mischief he describes (which no one doubts), yet if the "Savings Bank of the People," described by Mr. Chase, had been kept open, deposits would have flowed into the strong vaults of the Treasury instead of such rotten boxes as J. Cook's National Bank, standing in the very shadow of the Treasury building—receptacles in which the people have been forced to confide, and which have engulphed all the savings of an Ex-President of the United States, and thousands of others less conspicuous, but equally deserving of protection from systematic robbery. The drawing off of these deposits would not only have saved the people, and relieved the tax-payer, but would also have cut the hair of this modern Samson, so that he would no longer have been able to carry slaughter among his enemies with the jaw-bone of an ass.

IT CONTRACTS CONTRACTION?

As remarked, the deposit on June 30, 1873, was $104,934,102.74. The unbounded prosperity, the great activity in business, and the consequent dangerous expansion of credit had placed the country, early in the fall of 1863, in exactly the same real condition as it was ten years later. Instead of the money pouring into the Treasury, as before, it rolled out at an amazing rate, millions a day, after what may be called an incipient panic set in, so that the deposit, instead of its usual increase, showed that the payments not only equaled the receipts, but took $59,427,982.69 of the balance on hand, June 30, leaving only $45,506,120 on hand on December 1, 1863. The crash was averted, the pressure relieved, the business men of the country saved, and the wheels of commerce rolled on smoothly as before.

Such a glorious demonstration of the power of this depository for the savings of the people to prevent the possibility of panic, might well cause Mr. Chase to speak as he did in his report to Congress of December 10, 1863, and to again urge them to remove the limit of $100,000,000:

"The limits of deposits for temporary loan are fixed at $100,000,000. The amount of this deposit on the first of December had been reduced to $45,596,120.01, and payments of $10,000,000 had been made from the reserve. The additional payments will be confined within the narrowest possible limits, and can hardly exceed $25,000,000. The reflow of deposits has already begun and will probably soon exceed reimbursements, and so arrest payments from the reserve. The whole reflow beyond the amount of these payments will be available as part of the additional loan required, and may be stated, without risk of mistake, at $25,000,000. The Secretary perceives no solid reason for retaining the restriction on loans in

this form to $100,000,000. It may, as he thinks, be usefully removed. As the advantages of these deposits become better and more generally understood, the loans in this form will doubtless, in the absence of restriction, be largely increased, and the possibility of demands for reimbursements beyond means to meet them can be fully provided for by an increase of the existing proportion between deposits and reserve. Such an arrangement, the Secretary inclines to think, would operate beneficially, by increasing the amount of currency when unusual stringency shall require increase, and reducing its amount when returning ease shall allow reduction."

This also is history. Can it be true, since the worthy editor of the *Gazette* has "demonstrated," that at such a time the bankers, "the medium between the Government and the people," would rush their money into the Treasury to find investment that they could not safely make anywhere else, and thus contract contraction until even solid men were squeezed out of existence? Here is the way he proves the "inconvertible fact" that such a condition as he describes would cause all the currency to flow into the Treasury instead of running out as it did. His chain of reasoning is so close that not a link can be taken out without marring its strength:

"Second, as to our declaration that this interchangeable scheme would inflate the currency in a time of credit expansion, and would contract the currency in time of panic. Evidence of the latter part of this working may be seen in the situation which came in with the panic of 1873, and still exists. That, like all monetary panics, was the consequence of the over-expansian of credit. Money was as plenty as ever, but it became alarmed and sought hoards. In the alarm all the usual forms of trade credits ceased to be regarded as sufficient security. Money was plenty, but it was afraid. It sought investment in undoubted securities, such as National Government stocks, and thereby these rose so greatly in price, that the rate of interest realized on them was very low.

"It accumulated in banks, and the seemingly anomalous condition was seen of business men hard pressed for money, and willing to pay high interest for it, while money was lying idle, and increasing in deposits at the mnoey centers, and seeking temporary borrowers who could give marketable securities, at rates as low as 1½ per cent. a year. Thus there is a vast amount of money which would rush into 3.65 call bonds if they were now to be had. Thus we show the incontrovertible fact that the panic created a situation immediately which would have caused the currency to be converted into these call loan bonds, at a most rapid rate, if they were to be had.

"These 3.65 interchangeable honds are nothing but a provision by which banks can lend their money to the Treasury on call. By them the Government is to receive their idle money on deposit, and pay them interest for it. At this very time, when these political currency-tinkers are declaring that the life-blood of the people is squeezed out of them by a lack of currency, and are promising that if they will vote them into office they will give them an unlimited issue of greenbacks, regulated by interchangeability with 3.65 bonds, the monetary situation is such that if their 3.65 call loan bonds were now offered by the Treasury, hundreds of millions of currency would be exchanged for them as fast as clerks could count them out, and thus a most violent contraction of the currency would be made in the midst of the 'hard times.'

"The situation which came in with the panic, and which exists now, with hard times for money in all trade, but money going begging in call loans on marketable security, demonstrates that in time of distrust, alarm, pressure, and panic, this interchangeable bond, instead of letting out currency, would violently contract it.

Such a Government machine would not only burst all credit bubbles, but would carry down solvent men in the general collapse, which would be inevitable when the Government withdrew all loanable money from the channels of business."

Here, as in the other case, where the worthy editor proved that the deposit would serve to inflate inflation, the logic is good, but the premise is bad. He shows what prudent men would do, *after* a panic had prostrated the business of the country and reduced it to the deplorable condition in which he admits it now is; but that does not prove what they would do to guard against one that *threatened*, or even what they might do in the wild commotion, when the storm *first broke* over their heads. That proof is afforded by the action of the New York Produce Exchange, and of the bankers and merchants of that city, and also by that of the Chamber of Commerce of the City of Charleston, in the midst of the panic of 1873.

As before, the writer agrees with him, but holds that such a situation as he describes would not be possible with a currency of United States notes, depositable with the Government on call at a low rate of interest, or, which the editor says is the same thing, a currency whose quantity would be regulated by an interchangeable bond, which, like the ocean, would cause the inevitable ups and downs in the currents of trade, to rise and fall as gently as the tide.

Facts justify this conclusion. The outflow of sixty millions of dollars in the fall of 1863 shows that the real condition then was worse than in 1873; that the alarm spent itself against the Treasury as do the waves against the rock, and only subsided when every man felt that, like a rock, the vast deposit in the Treasury was able to withstand every shock. That it was hardly possible for that alarm to have ripened into a devastating panic is seen in the fact that when it was quieted and confidence restored there still remained forty-five millions of dollars in the Treasury. Had that deposit amounted to five or six hundred millions instead of one hundred, its exhaustion would have been simply impossible.

TESTIMONY OF THE NEW YORK PRODUCE EXCHANGE AND THE CHAMBER OF COMMERCE, OF CHARLESTOWN, S. C.

In further proof that a currency exclusively of United States notes, with Mr. Chase's Depository, or an interchangeable bond, would have made the panic of 1873 impossible, the worthy editor is referred to pages 12, 13, 14 and 15 of the Annual Report of the Secretary of the Treasury, of December 1, 1873, where he says "that great pressure was brought to bear upon the Treasury Department to afford relief by the issue of United States notes," and that, in the opinion of New York gentlemen, twenty millions placed at the service of the

banks in the city of New York would be adequate for the emergency, and that this amount was asked for as a loan upon the pledge of Clearing-house certificates, secured by ample collaterals. And that subsequently, on September 29th, the New York Produce Exchange made a proposition to accomplish the same result in a different form, which the Secretary thus describes:

"That currency be immediately issued to bankers or banks upon satisfactory evidence that gold has been placed upon special deposit in the Bank of England, by their correspondents in London, to be used solely in purchasing commercial bills of exchange.

"It should be stated," says the Secretary, "that in the excitement there were many persons in the City of New York, who insisted with great earnestness that it was the duty of the Executive to disregard any and all laws which stood in the way of affording the relief suggested by them.

"The Executive Department, 'says the Secretary,' was anxious to do every thing in its power under the laws * * * to allay the panic, and to prevent disaster to the legitimate, commercial and industrial interests of the country, but it was found impossible to afford the relief in any of the many forms in which that relief was asked. It was decided, therefore * * * to purchase bonds for the sinking fund to such an extent as the condition of the Treasury would allow, and thus release a considerable amount of currency from its vaults. Purchases of bonds were commenced on the morning of the 20th of September, and were continned until the 24th, when it became evident that the amount offering for purchase was increasing to an extent beyond the power of the Treasury to accept, and the purchasing was closed after bonds to the amount of about thirteen million dollars had been bought, and without the use of any part of the fourty-four millions ot United States notes, generally known as the reserve.

"The curreney thus paid out of the Treasury for bonds, did much to strengthen many savings banks, and to prevent a panic among the numerous depositors, who began to be alarmed; and had there developed an extended run upon those useful institutions, it would inevitably have caused wide-spread disaster and distress. It also fortified other banks, and checked the general alarm to some extent."

Wherein does this delivery of currency in payment for bonds for the Sinking Fund, differ from the same delivery to depositors, under Mr. Chase's system of deposits, or in exchange for interchangeable bonds, which the *Gazette* admits are nothing more than a deposit on call? And when the Secretary says the payment of only thirteen millions saved the savings banks and fortified others, does he not admit that the payment of the additional amount necessary would have stopped the panic entirely, even as had been done before? Then there would have been no panic, and 1873 would have passed out of mind as completely as 1863, and the business man who now may be suprised to hear about there having been a panic in 1863, would have been equally suprised at the mention of one in 1873. When we speak of 1863, it is of the conditions which would have made a panic, but for

the presence of the great regulator, "The Savings Bank of the People." All the difference between that period and 1873 was, that the great regulator had been ruthlessly removed in the interest of another kind of bank, a bank that can justly be described as THE BREEDER OF PANICS.

The admission of the Secretary, that the paying out of thirteen million greenbacks saved the savings banks, and fortified others, justifies the conclusion, indeed makes it certain, that the payment of the fourty-four millions lying in the vaults of the Treasury, would have stopped the alarm, and reassured the people. Yet, the Secretary takes credit for not having paid out a dollar of this amount, although bonds were offered at any price he was willing to give. He expressly concedes that he had the right to make such use of them. Why was it not done? Because, he says, those who conceived that the public interest would be better served by keeping the issue of United States notes down to the minimum, brought as great a pressure upon the Treasury, as did hundreds of others, who demanded that the notes should be used by the Government in the purchase of its own bonds.

These others, the report clearly shows, page 18, were the friends of the National Banks, who would rather see the country ruined, unless it can be saved by their agency and for their profit. Other seandalous things he says: "National Banks, at the several redemption cities named in the banking law, which are the great controlling centers of business, might do much to give steadiness and safety, if they were authorized, through *properly constituted Boards or Committees of their own officers*, to exercise a large discretion in the use of their reserves at the rate of interest to be charged at different seasons and under different circumstances." Not only this, but lest the use of "their reserves," the only miserably small security which the law has provided for the protection of depositors, might not be enough, he further says: "Should it be deemed necessary or expedient to enlarge the paper money circulation, in cases of great emergency, provision may be made to permit the National Banks, under certain circumstances, and to a limited extent, to increase their note circulation by a pledge of United States bonds, bearing no interest while so pledged, or subjecting the banks to special taxation, upon the circulating notes obtained thereon, or upon such other terms that it would be for their interest to recall the notes and redeem the bonds at the earliest possible day after the premium upon their securities should have ceased."

Abundance of similar evidence bristles in every report of the Treasury Department, since the time the banks took possession, on the advent of Mr. McCulloch, in 1865.

To return from this long disgression to the point where we left off when speaking of the balance in the Treasury, on June 30, 1864.

It was only when everything looked blue—before Vicksburg had fallen—and when the armies of Lee were sweeping around the Capital, through Maryland and into Pennsylvania, that Congress, on the 30th of June, consented to do in part what the Secretary had been urging two years, and fifty millions were added to the limit.

DECLINE AND FALL

Under the administration of a Secretary working in the interests of the Banks.

Four days after this, Mr. Chase unexpectedly ceased to be Secretary, and his pet measure was left to the tender mercies of the Senate —and when the Senate is mentioned in connection with a financial question, it is always understood to mean its Finance Committee, and substantially the *Chairman* of that Committee, whose purpose was well defined by the character of the instrument (Mr. McCulloch) chosen to carry out his policy to do nothing that would interfere with the rights of the banks. This influence immediately displayed its power, for in nine months the balance was reduced twenty millions, and on March 31, 1865, stood at $52,452,328 29. At that time it became necessary for the Treasury to avail itself of every agency to raise money to pay the armies then being disbanded. The obstructions were again removed, and the balance increased over fifty-five millions, and amounted on Augnst 31, 1865, to $107,148,713 16, and kept on steadily increasing during the fall, when Mr. McCulloch described (in his report of December, 1865) the country to be wild with an inflated prosperity—the very time when the *Gazette* says the activity of business and high rate of interest would cause all the deposits to be withdrawn.

The people, having come to understand the advantages of the depositories, as Mr. Chase predicted, the danger became imminent that it would draw off the life-blood of the banks, their deposits, and no sooner had Congress given effect to the bank Secretary's recommendation by the act of April 12, 1866, than he commenced the work of cutting off the opportunity of thus transferring their deposits. He was not, however, able to get the balance of the deposit account down lower on June 30 than $120,176,196. The reduction went on rapidly, a hundred millions during the year following, the balance on June 30, 1867, being $20,225,070. By 1869 it was reduced to $186,310, and now stands at $78,520.

The end of this most useful and important institution is thus referred to in the Secretary of the Treasury's report: "The acts of Congress, of February 25, 1862, July 11, 1862, and March 3, 1863, together authorize the issue of $400,000,000 of United States notes, in addition to $50,000,000 of such notes reserved for the purpose of securing prompt payment of temporary loan deposits; and the act of June 30, 1864, contains these words: 'Nor shall the total amount of United States notes issued, or to be issued, ever exceed $400,000,000, and such additional sum not exceeding $50,000,000, as may be temporarily required for the redemption of temporary loans.' The temporary loan referred to in the foregoing acts having been redeemed, the maximum amount of United States notes which, under existing laws, can now or hereafter be issued, is $400,000,000."

When the Secretary thus speaks of the effect of winding up this GREAT SAVINGS BANK OF THE PEOPLE, in its enabling the Department to cancel the fifty million greenbacks held for the reserve, he clearly shows the influence that worked its destruction—the same influence which now, under the hypocritical cry of "hard money," seeks the extinction of United States notes in order that the National Banks may have no competition, but enjoy the whole field of circulation, with its immense profit.

Having thus presented the plain facts, they are left with each reader to weigh against the *Gazette's* "demonstration." The writer had too high an opinion of the worthy editor's powers of logic to venture even the attempt to overturn his argument by pure reasoning. So when he heard that "the other Dick had rather knocked the wind out of his inflation bubble," and especially when the soft, gentle voice of a most estimable gentleman was heard saying, with a smile which only an abundance of good bank stock can raise in these times, "The National Banks are worth seven hundred millions; I think they can take care of themselves—*don't y-o-u?*" This, with a further innocent aggravation, of having a copy of the *Gazette* of the 19th handed to him by a friend, with a request to rise and explain or forever after hold his peace, suggested the thought that, if he could not use the tools of a logician to answer it, he might reanimate the bones of Jones' lost mule, in the hope that his heels might prevail in kicking over what the writer confesses he had not the ability to take to pieces. Hence his reference to the celebrated owner of that mule in the opening of these remarks, whose indiscretion is so pathetically told by Truthful James in his description of the happy meetings of a society of "Scientific Gents" that used to meet on the Stanislaus, in the golden land, which, unfortunately for it just at this moment, has

never been troubled with a currency described by Secretary Bristow as not actually worth one cent,* nor by the existence of a depository, which the worthy editor of the *Gazette* says would end in general bankruptcy. For he says, (and as this is all that is left of the *Gazette* article not already reproduced, it is here thrown in, that not a word of the worthy editor may be lost):

"But all expansions of trade, prices and credit have their culminations. The expansion of credit and speculation requires a continual rise in prices to bring out the ventures without loss. As soon as the advance in prices is checked there comes an alarm. All become sellers and none buyers. Then failures begin to occur and panic comes on, and money takes flight to hoards, and here, at the very time when more currency was wanted it would be rushing like a mill-tail to the Treasury to be exchanged for 3.65 bonds. Thus is this 3.65 scheme a plan for inflating the currency in times of confidence, and for contracting the currency in times of panic. One revolution of it would end in general bankruptcy."

To return from the heated atmosphere of the *Gazette* office to the meeting on the Stanislaus, which Mr. James says was so happy:

"Till Brown, of Calaveras, brought a lot of fossil bones
That he found within a tunnel near the tenement of Jones;
Then Brown, he read a paper, and reconstructed there
From these same bones an animal that was extremely rare;
And Jones then asked the Chair for a suspension of the rules
Till he could prove that these same bones was one of his lost mules."

R. B. P.

It appears in the above account of the operations of Mr. Chase's depository, that all the conditions of a panic existed in 1863, and that it would have occurred but for the existence of the Savings Bank. After that article was published, I found, upon further examination of the Treasury Reports, and from Shuckers' valuable work on "Finance, Panics and Specie Payment," which you [Judge Kelley] sent me, after your return home, positive evidence of what I had endeavored to prove by what was before me when the article was written, to-wit:

Secretary Chase, in his Report of 1863, page 15, says—

"The final object of the Secretary was to extract from the unavoidable evil of debt as much incidental benefit as possible.

"To this end he desired authority to receive temporary loans, in the form of deposits, reimbursable after a few days' notice. This measure was regarded by many with something less than favor at first; but Congress, after full consideration, authorized the receipt of such deposits, at an interest not exceeding five per cent., to the amount of twenty-five million dollars; then raised the limit to fifty millions, then to

* The telegram announcing the failure of the Bank of California, and the consequent panic on the Pacific Coast, had just been received.

one hundred millions; and provided a reserve of fifty millions of United States notes to meet demands for reimbursements, beyond any other convenient means of satisfaction. It was not long before these deposits reached the highest limit, and, before the flow could be well checked, somewhat exceeded it. The utility of the measure was very *conspicuous on the recent occasion of great stringency in New York, when the Secretary was able to reimburse over fifty millions of these deposits during the last weeks of the year; by which action the pressure was sensibly alleviated with a use of only a fifth of the reserve.*

"In former reports the Secretary has stated his convictions, and the grounds of them, respecting the necessity and utility of putting a large part of the debt in the form of United States notes, without interest, and adapted to circulation as money. These convictions remain unchanged, and seem now to be shared by the people. For the first time in our history has a real approach to a uniform currency been made; and the benefits of it, though still far from the best attainable condition, are felt by all. The circulation has been distributed throughout the country, and is everywhere acceptable."

Referring to this event, Mr. Shuckers, after speaking of the happy influence which every exercise of arbitrary power, in winking at the unlimited issue of notes by the Government bank, in violation of law, had in allaying panics, says, on page 25:

"Our domestic experience has not been so pronounced and decisive as that of Great Britain; but in 1863, Mr. Cisco, Assistant Treasurer at New York, with the concurrence of Mr. Chase, extended relief with most beneficial results to the banks of that city at a very critical time."

If any one is competent to testify on that subject it is Mr. Shuckers, who, during Mr. Chase's administration of the Treasury, occupied the most confidential position near him, not as a mere private Secretary, for another gentlemen did that duty, but as a confidential Secretary and collator of matters relating to finance. As such he held a high place in the Secretary's confidence and esteem.

This demonstration of the absolute power of the "Savings Bank of the People," in *preventing* a panic, together with the effect of even the unlawful overissue of notes having no coin basis in arresting the ravages of one already begun, should cause every business man to demand that it be re-opened. With that, and a *uniform currency*, solely of United States notes, the way to make these notes on a par with gold is plain. How? By having the Government pay *a rate of interest in gold* that would cause the certificate of deposit to be on a par with gold in the markets of the world. In the law making the "Savings Bank," the rate of interest was left discretionary with the Secretary, not, however, to exceed certain limits. That discretion was never

abused, neither by Mr. Chase (for that was impossible) nor by his successor, because, from the nature of the case, it could not be, for, had the rate of interest been too high, too much money would have flowed into the Treasury, or, if too low, not enough.

The same discretion can be left with the Secretary now, within narrower limits, requiring that the interest be fixed at a rate that would cause the certificate to sell at the same rate of discount for gold as the United States notes, thus avoiding any contraction, or, what would be better, have the rate fixed at that point. With the increase of business and growth of the country the discount would gradually diminish, until it reached par with gold, or approximate as near thereto as the notes of the bank of France, which every business man regards as equal to gold. United States notes would then be practically on a par with gold, and would forever remain so, for there would be no possibility of suspension, as would be *certain* with a circulation of bank notes convertible into coin, when all the gold in the country does not amount to one dollar in thirty of the actual deposits in banks, every dollar of which can immediately call for gold on the resumption of specie payments. The amounts of gold and of these deposits are given in detail in a pamphlet entitled "Issue," a copy of which I send you herewith.

The only reply the *Gazette* made to the two answers to its challenge was on September 14, in the following editorial:

"A correspondent, 'R. B. P.,' takes much space in the *Enquirer* to controvert the *Gazette's* statement that interchangeable bonds and notes would work a contraction of the currency. This he does by making out that all the savings and loose money of the people would flow into the Treasury instead of into the banks, who loaned out, which is just about what we said. He makes a lesser showing, shaping facts to suit, that in times of inflated confidence and speculation, this machine would inflate the currency, which is what we said. Yet he labors through several columns in the belief that he is controverting the *Gazette*. The writer is as wise as KELLEY; he thinks that to extinguish deposit banking would be a blessing."

In saying that "R. B. P." had said just what he said, a most happy agreement, the editor failed to say a word about that portion of the answer which appeared in the *Enquirer* of September 6th, the bulk of which is attached to another paper sent herewith, and was nothing more than lengthy extracts from the remarks of the most eminent British statesmen in a debate in Parliament on the 16th of last March, and a few extracts from Secretary Bristow's last annual report, by way of contrast. That partial report of a debate on a question that now shakes the country, seemed so important, that the Editor of the *Enquirer*, in calling attention to the four column article, said:—

"We print this morning an article prepared by MR. R. B. PULLAN, which will doubtless attract some attention in the land. It reveals the startling fact that the great financiers of England have been and are now seriously considering the propriety of adopting something similar to the greenback system. The extract from the debate in the House of Commons, which took place on the 17th of March last, will be read with intense interest on this side of the water. They get a copy of the London *Times* down in the *Commercial* office, but the news instinct down there was not far-reaching enough to cover this valuable contribution to financial literature. The *Enquirer* is made the happy medium of its transmission to the country."

If that important debate was thus first made known to the country, it was not because it had been overlooked; for the *Bankers' Magazine* for last May devoted much space to the discussion of "Government Currency," and gives a belittling report of what certain obscure members of Parliament said in the debate referred to, winding up with the declaration,—"*The idea of paper currency on gold security should be a function of Government seems to have made but little progress in Great Britain.*" If you will refer to that article in the *Bankers' Magazine* for May, and also to the twenty page article on "Banking," and Mr. Goschen's Bill, in *Blackwood*, for June, you will be astonished at the exhibition of servility to the money power which has driven one of the most useful periodicals of this country to thus misrepresent. It is not surprising that bankers and merchants who rely upon this valuable magazine for information, should be so badly informed of what is transpiring abroad in the line of their occupation. The facts are either entirely suppressed, perverted or inverted, by the Eastern journals, on whose summary of European intelligence the press of the country generally depends. Under such circumstances, the intelligent business community could not be expected to know that what *Blackwood* calls the NEW THEORY OF CURRENCY has taken possession of the mind of Great Britain; neither could they be expected to be much better informed than their prototype, the eminently respectable Mr. Dombey, or give a clearer explanation of the faith that is in them, than *Dickens* says he did, when suddenly startled by the wierd and earnest inquiry of little Paul, "Papa, what's money?"

The extracts from Secretary Bristow's Report, of December 4, 1874, referred to in the above communication to Judge Kelley, are from pages 11, 14, and 16, in which last the Secretary confirms the position taken in the papers published Feb. 13, 1868, and January, 1869, and which constitute Part II. The author then stated that in the original issue of United States notes Secretary Chase's confidence had been abused by the bankers, or bank note engravers, charged

with getting them out, through the force of habit, or designedly to deceive the people, as they have done. He called attention to the scandalous departure from the words of the law in the language of the note first emitted, and how it had been corrected in part. He there said that the note, *as it was put in circulation*, promised to pay a dollar, when there were no dollars to pay it with, and that there was no provision in the law for paying the dollar at any time whatever, or for converting them into any other kind of dollars than themselves, with a provision, however, which permitted their conversion into that which bore such tangible relation to a coined dollar as would cause its value to be on a par with gold.

Secretary Bristow says, in the extract quoted from page 16:

"A dollar legal tender note, *such as is now in circulation*, is neither more nor less than the promise of the Government to pay a dollar to the bearer, while no express provision is made by law for paying the dollar at any time whatever; nor is there *any existing* provision for converting it into anything that stands in a tangible relation to a coin dollar."

This is the exact truth. Observe how carefully Gen. Bristow distinguishes between the notes which the law authorized any one to make, and such as are now in circulation; also, that when he says there is not any *existing provision* to secure the equality of value between the two kinds of Government currency, he carefully avoids referring to the solemn pledge *that did exist*, until it was repudiated, through the influence and manipulations of the bank lobby, in the interest of the banks. Gen. Bristow's great eminence as a lawyer forbade him speaking other than he did.

As even Gen. Bristow admits, that the present form of United States notes is neither more nor less than a promise to pay the bearer a dollar in coin, and that the law makes no provision for such payment at any time whatever,—in other words, that the note is really what Mr. Greeley described it, a lying promise, uttered without any authority of law; a device to deceive and delude the people, as it has done,—has the time not come when this standing monument of our shame that daily stares the people in the face should be removed; and would it not be wise in Mr. Buckner, and the Currency Committee, of which he is Chairman, to consider this subject, and take from the Secretary all discretion over the form of United States notes to be hereafter issued in place of mutilated ones retired; and specifically describe the words and devices to be placed thereon, in strict conformity to the words of the law creating them?

THEORY OF MONEY & CURRENCY;

AN INQUIRY INTO

THE NEW THEORY OF CURRENCY, which has been worked out painfully and laboriously by the ablest men in Great Britain, till they have come to be pretty nearly unanimous upon the subject.

WITH OTHER WRITINGS OF

RICHARD B. PULLAN.

"CARTHAGO DELENDA EST. Bank paper must be suppressed, and the circulating medium must be restored to the nation to whom it belongs."

"Let those among us who have a moneyed capital, and who prefer employing it in loans rather than otherwise, set up banks, and give cash or *National bills* for the paper they discount."—THOMAS JEFFERSON. Writings published by Congress, Vol. VI. pages 141, 199.

"The present state of things is almost intolerable."—GOSCHEN [see page 119].

"No one can doubt that the paper issue of a country, like its currency, ought to be in the hands of the government."—CAVE [page 120].

"Banks of issue are in the strictest sense subsidized by the State, because it is exactly the same thing, so far as the money is concerned, as to grant a legislative privilege to a person to pay over to him a considerable sum from the Public Treasury."—GLADSTONE [page 121].

"The Government accepts, in the fullest measure, the principles of the Legislation of 1844 and 1845, based on the theory that the privilege of issue belongs to the State, and that the State exercises that right of issue in such a manner as may promote the convenience and interest of the public."—NORTHCOTE, Chancellor of the Exchequer [page 121].

"The privilege of issue is not a question of facts. It is a question of abstract opinion, which has been worked out painfully and laboriously by the ablest men in the country, till they have come to be pretty nearly unanimous upon the subject."—LOWE, Ex-Chancellor of the Exchequer [page 123].

"The existence of bank issue, in addition to the suffering it has caused the people of the United States, has cost the Government itself, since 1865, over seven hundred millions of dollars."—[COST OF BANK ISSUE, see page 54].

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TITLE